

**PUBLIC DISCLOSURE**

DECEMBER 3, 1997

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Amesbury Co-operative Bank

ONE MARKET SQUARE  
AMESBURY, MA 02090

DIVISION OF BANKS  
100 CAMBRIDGE STREET  
BOSTON, MA 02202

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Amesbury Co-operative Bank prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

The assessment of Amesbury Co-operative Bank's record takes into account its financial capacity and size, legal impediments, local economic conditions and demographics, including the competitive environment in which it operates.

The majority of Amesbury Co-operative Bank's residential mortgage loans are originated within the assessment area. Deposits from the community are returned to the community in the form of residential and consumer loans. Based upon the geographic distribution of its loans and the review of its Fair Lending performance, the bank appears to be extending credit in a non-discriminatory manner. With the addition of a 30 year fixed rate mortgage product, management has followed through with developing and providing identified credit products that help meet local credit needs.

The institution's record of helping to meet the credit needs within the assessment area is considered Satisfactory.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

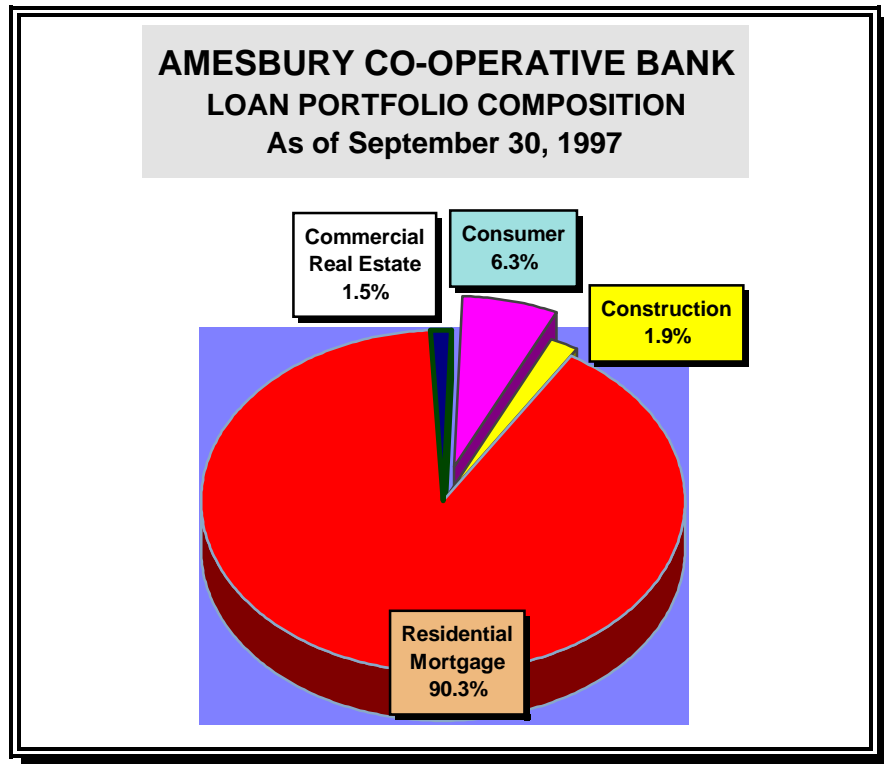
Amesbury Co-operative Bank is a small mutual thrift institution chartered by the Commonwealth of Massachusetts in 1884. The bank is located at One Market Square in Amesbury, Massachusetts.

Hours of operation appear convenient and accessible to customers. Its sole office is opened from 9 a.m. to 4 p.m. Monday and Tuesday, and from 9 a.m. to 12:30 p.m. on Wednesday. Extended hours are offered on Thursday and Friday evenings to 6 p.m., and Saturday morning from 9 a.m. to noon.

The bank is primarily an owner-occupied, single family residential mortgage lender; however, a variety of credit and deposit services are offered. Loan products include first and second residential mortgages, home improvement loans, home equity lines of credit, construction loans, personal loans, vehicle loans, and passbook loans. Although the bank does not maintain an Automated Teller Machine (ATM) at its office location, customers are able to withdraw and deposit funds without being charged a fee at the BankBoston ATM in Amesbury. In addition, customers also have free access to withdraw or deposit funds from an ATM located at Salisbury Beach which was installed through a joint effort with four other local institutions.

Amesbury Co-operative Bank was last examined for compliance with the Community Reinvestment Act by the Federal Deposit Insurance Corporation (FDIC) on November 21, 1996. That examination resulted in an overall rating of "Satisfactory."

As of September 30, 1997, the bank had total assets of \$21,162,000. Loans comprise 64.5% of the institution's total assets. The largest portion of the loan portfolio is comprised of residential mortgage loans, which represent 90.3%. Consumer loans are a distant second comprising 6.3% of the total portfolio. The remaining loan portfolio consists of construction loans and commercial real estate loans, which represent 1.9% and 1.5%, respectively. Refer to the following graph for a complete breakdown.



### Description of Assessment Area

In 1996 the Town of Amesbury's charter was changed to that of a city. First settled by Europeans in 1645, the city's earliest industries included mills, shipyards and heavily used ferry operations across the Merrimac River to Newburyport. There were scattered farms in the community but agriculture was secondary to an aggressive maritime and industrial economy. By the 19th century, shipbuilding, shipping and fishing which had employed most of the population was giving way to textiles, ironworks, saw and grist mills. Known as a carriage building center, Amesbury easily made the transition into the 20th century by converting its production into making automobile bodies. Up until the 1929 Great Depression auto body making was a major industry in the town. The same stone buildings of the past era are now occupied by a diversity of manufactured products.

Amesbury Co-operative Bank's assessment area is comprised of the City of Amesbury and as amended on December 10, 1996, the Town of Salisbury. Both municipalities are located within the Boston Metropolitan Statistical Area (MSA). The assessment area has a total of five census tracts, four of which are middle-income tracts and one moderate-income tract. The moderate-income census tract is located in Salisbury. The following table provides a breakdown by census tract income levels, and family households within the assessment area:

### ASSESSMENT AREA DEMOGRAPHICS

INCOME LEVEL	NUMBER OF CENSUS TRACTS IN ASSESSMENT AREA	CENSUS TRACT PERCENTAGE	FAMILY HOUSEHOLDS	HOUSEHOLD PERCENTAGE
MODERATE	1	25.0	1,815	31.4
MIDDLE	4	75.0	3,968	68.6
<b>TOTAL</b>	<b>5</b>	<b>100.0</b>	<b>5,783</b>	<b>100.0</b>

Source: 1990 Census Data

As the preceding table indicates, 68.6% of family households reside in middle-income census tracts and 31.4% reside in moderate-income tracts. Included in the above are families who live below the poverty level. According to the 1990 census data, 6% of the assessment area's population is below the poverty level. This figure is in sharp contrast to the statewide figure of 8.9% of the population below the poverty level.

Income information obtained from 1990 census data indicate median income for the Boston MSA of \$48,688. The City of Amesbury has the larger concentration of low and moderate-income households. The combined municipalities indicate that low and moderate-income households represent 42.2% of total households. Refer to the following table.

ASSESSMENT AREA INCOME DATA*					
LOCATION	TOTAL HOUSEHOLDS		LOW AND MODERATE INCOME HOUSEHOLDS		MEDIAN FAMILY INCOME
	#	%	#	%	
Amesbury	5,536	69.1	2,271	67.2	\$44,554
Salisbury	2,480	30.9	1,108	32.8	\$40,062
<b>TOTAL</b>	<b>8,016</b>	<b>100.0</b>	<b>3,379</b>	<b>100.0</b>	

\* Source: 1990 Census Data

Housing data for the assessment area, based on the 1990 census, indicates an owner occupancy rate of 49%. The City of Amesbury has a higher percentage of rental units with 42.4%. Refer to the following table for more detailed information.

#### ASSESSMENT AREA HOUSING DATA\*

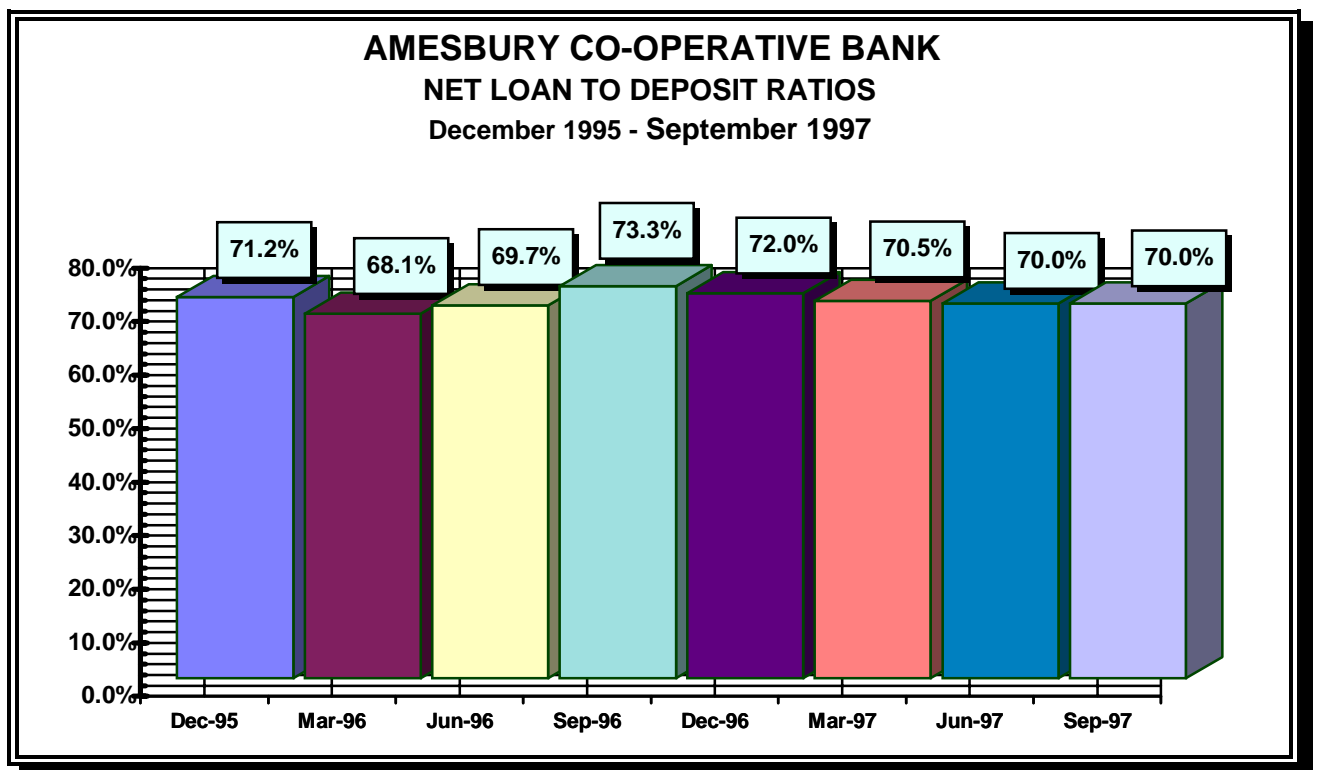
LOCATION	TOTAL OCCUPIED HOUSING UNITS		OWNER-OCCUPIED UNITS	RENTAL UNITS	MEDIAN HOUSING VALUE
	#	%	%	%	\$
Amesbury	5,522	68.6	57.6	42.4	150,900
Salisbury	2,522	31.4	73.3	26.7	151,300
<b>TOTAL</b>	<b>8,044</b>	<b>100.0</b>			

\* Source: 1990 Census Data

## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

An analysis of Amesbury Co-operative Bank's net loan-to-deposit ratio was performed during the examination. The analysis utilized the previous eight quarters of the Federal Financial Institutions Examination Council (FFIEC) Call Report data for this institution. The bank's average net loan-to-deposit ratio from December 31, 1995, through September 30, 1997, was 70.6%. The ratio remained relatively consistent throughout the period under review. Refer to the following table for a complete review of each quarter.



The June 30, 1997, net loan-to-deposit ratios of the other institutions operating within the bank's market area were analyzed. Area institutions such as The Merrimack Savings Bank,

The Provident Institution For Savings in Amesbury, and Haverhill Co-operative Bank had net loan-to-deposit ratios of 52.6%, 58.7%, and 60.3%, respectively, all of which are lower than Amesbury Co-operative Bank's ratio of 70%. Considering the bank's small size, in comparison to these larger financial institutions, Amesbury Co-operative Bank does not appear to be adversely affected in its ability to provide credit within the community.

Based upon the above information and the bank's capacity to lend, the lending capacity of other similarly-situated institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the bank's net loan-to-deposit ratio exceeds the standards for satisfactory performance.

## 2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of Amesbury Co-operative Bank's Home Mortgage Disclosure Act (HMDA) and Loan Application Register (LAR) for calendar year 1996 and year-to-date December 3, 1997, was conducted. This information was used to determine the institution's level of lending inside the assessment area in comparison to the level of lending outside of the assessment area. Loan data represents mortgage loans on residential one-to-four family and multi-family properties. According to the institution's LAR, the bank originated 42 residential loans in calendar year 1996, and 24 residential loans year-to-date December 3, 1997, with total dollar volume of \$3,061 and \$1,993, respectively. Loans originated inside the bank's assessment area for the period under review represents 66.7% of the total number, and 62.7% of the total dollar volume. Refer to the following tables for additional information.

LOANS ORIGINATED BY NUMBER						
	1996		1997*		TOTALS	
LOCATION	#	%	#	%	#	%
Amesbury	21	50.0	13	54.2	34	51.5
Salisbury	7	16.7	3	12.5	10	15.2
INSIDE ASSESSMENT AREA	28	66.7	16	66.7	44	66.7
OUTSIDE ASSESSMENT AREA	14	33.3	8	33.3	22	33.3
<b>TOTALS</b>	<b>42</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>

Source: HMDA/LAR

\*Year-to-Date December 3, 1997

DOLLAR AMOUNT OF LOANS ORIGINATED			
	1996	1997*	TOTALS

LOCATION	\$ (000)	%	\$ (000)	%	\$ (000)	%
Amesbury	1,423	46.5	1,035	51.9	2,458	48.6
Salisbury	465	15.2	245	12.3	710	14.1
INSIDE ASSESSMENT AREA	1,888	61.7	1,280	64.2	3,168	62.7
OUTSIDE ASSESSMENT	1,173	38.3	713	35.8	1,886	37.3
<b>TOTALS</b>	<b>3,061</b>	<b>100.0</b>	<b>1,993</b>	<b>100.0</b>	<b>5,054</b>	<b>100.0</b>

Source: HMDA/LAR Data.

\* Year-to-Date December 3, 1997

The bank's overall level of lending within the assessment area, in comparison to lending outside the assessment area, is at an adequate level. This is in direct correlation with management's efforts to promote the institution's residential loan products within the assessment area.

Based on the foregoing information, the bank's level of lending within the assessment area meets the standards for satisfactory performance.

### 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of loans, originated among various income levels, was conducted in order to determine the distribution of credit based on the income levels of borrowers. The income level was identified as the ratio of borrower income to the median family income for the Boston Metropolitan Statistical Area (MSA). The Boston MSA median family household income for calendar year 1996 and 1997 was \$56,500 and \$59,600, respectively. These figures are based upon estimated 1996 and 1997 Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50% of the median family income level for the MSA; moderate income is defined as 50 to 79% of the median family income; middle-income is defined as income between 80 and 119% of the median family income; and upper-income is defined as income greater than 120% of the median family income.

The following table illustrates that Amesbury Co-operative Bank granted residential mortgage loans to borrowers of different incomes in a manner consistent with the composition of the assessment area. Low and moderate-income households represent 42.2% of the total households in Amesbury and Salisbury. As the following tables indicate, loans to low and moderate-income borrowers represents 45.4% of the total number of loans originated in 1996 and year-to-date December 3, 1997, and 34.2% of the total dollar amount granted for the same time frame.

LOANS ORIGINATED BY INCOME OF BORROWER			
% OF MEDIAN	1996	1997*	TOTAL



	#	%	#	%	#	%
<50%	5	17.9	1	6.3	6	13.6
50% - 79%	10	35.7	4	25.0	14	31.8
80% - 119%	10	35.7	8	50.0	18	40.9
120% >	3	10.7	2	12.4	5	11.4
NA	0	0	1	6.3	1	2.3
<b>TOTAL</b>	<b>28</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>44</b>	<b>100.0</b>

Source: HMDA/LAR Data

\*Year-to-Date December 3, 1997

<b>LOANS ORIGINATED BY INCOME RANGE OF BORROWER (DOLLAR AMOUNT)</b>						
% OF MEDIAN	1996		1997*		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	205	10.9	45	3.5	250	8.0
50% - 79%	545	28.9	285	22.3	830	26.2
80% - 119%	773	40.9	711	55.5	1,484	46.8
120% >	365	19.3	114	8.9	479	15.1
NA	0	0	125	9.8	125	3.9
<b>TOTAL</b>	<b>1,888</b>	<b>100.0</b>	<b>1,280</b>	<b>100.0</b>	<b>3,168</b>	<b>100.0</b>

Source: HMDA/LAR Data

\* Year-to-Date December 3, 1997

The 1996 HMDA aggregate data was reviewed for comparison of Amesbury Co-operative Bank to other financial institutions that made loans within the same area. This information indicated that for all HMDA reporters in the MSA, 32.4% of the total number of loans and 24.1% of the total dollar amount of loans were granted to borrowers of low and moderate-income. Amesbury Co-operative Bank's lending in 1996 to borrowers of low and moderate-income represents 53.6% of the total number and 39.8% of the total dollar volume, which is well above the aggregate. Aggregate data for 1996 also indicated that the bank ranked number five in originated loans to low and moderate-income borrowers, and number seven in residential mortgage lending in its market area. This analysis suggests that the bank has identified and met the credit needs of a cross section of borrowers of various income levels within the assessment area, especially low and moderate-income borrowers.

<b>1996 HMDA AGGREGATE DATA</b>				
	#	%	\$	%
<50	65	6.6	3,139	3.3
50% - 79%	253	25.8	19,474	20.8

80% - 119%	325	33.2	30,662	32.7
120%>	247	25.2	30,172	32.2
NA	90	9.2	10,319	11.0
<b>TOTAL</b>	<b>980</b>	<b>100.0</b>	<b>93,766</b>	<b>100.0</b>

Source: 1996 HMDA data compiled by PCI Services, Incorporated, CRA WIZ©.

The distribution of residential loans to borrowers of different incomes reflects an excellent penetration within this area. Based upon this analysis, the bank's efforts exceed the standards for satisfactory performance.

#### 4. GEOGRAPHIC DISTRIBUTION OF LOANS

The following table depicts the number of residential loans originated within the assessment area by census tract classification. The assessment area has no low or upper-income census tracts. The following table indicates that 34 mortgage loans, or 77.3% of the total number of loans extended within the bank's assessment area, were originated in middle-income tracts. All mortgage loans originated within middle-income tracts were in the City of Amesbury .

<b>MORTGAGE LOANS ORIGINATED BY CENSUS TRACT (NUMBER)</b>						
<b>CENSUS TRACT</b>	<b>1996</b>		<b>1997*</b>		<b>TOTAL</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
MODERATE	7	25.0	3	18.8	10	22.7
MIDDLE	21	75.0	13	81.2	34	77.3
<b>TOTAL</b>	<b>28</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>44</b>	<b>100.0</b>

Source: HMDA/LAR Data

\* Year-to-Date December 3, 1997

<b>MORTGAGES LOANS ORIGINATED BY CENSUS TRACT (DOLLAR AMOUNT)</b>						
<b>CENSUS TRACT</b>	<b>1996</b>		<b>1997*</b>		<b>TOTAL</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
MODERATE	465	24.6	245	19.1	710	22.4
MIDDLE	1,423	75.4	1,035	80.9	2,458	77.6
<b>TOTAL</b>	<b>1,888</b>	<b>100.0</b>	<b>1,280</b>	<b>100.0</b>	<b>3,168</b>	<b>100.0</b>

Source: HMDA/LAR Data

\* Year-to-Date December 3, 1997

The bank originated loans in all five of the assessment area's census tracts. Based upon the above analysis, the geographic distribution of loans appears to reflect a reasonable dispersion of loans throughout the delineated assessment area. Therefore, the bank's performance meets the standards for satisfactory performance in the geographic distribution of loans.

## **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

### ***Review of Complaints***

A thorough review of the public comment file revealed that the bank had not received any complaints pertaining to the institution's CRA performance since the previous examination.

### ***Fair Lending Policies and Practices***

#### **STAFF TRAINING**

Although the bank does not have a formal fair lending training program, two video training sessions were conducted in July of 1996. All bank officers and staff were required to attend both sessions which were entitled, "Fair Lending: For All Employees" and "CRA: What Every Employee Needs To Know."

The Fair Lending training included an overview of the Equal Credit Opportunity Act (Regulation B), Fair Housing Act, Home Mortgage Disclosure Act (Regulation C), and the Community Reinvestment Act.

#### **STAFF COMPOSITION AND COMPENSATION**

The bank's staff is comprised of six full-time and three part-time employees. Loan originators are paid on a salary basis, thereby encouraging loans of all amounts.

#### **OUTREACH**

The bank is a participant in a consortium comprised of four other institutions operating within the assessment area. The focus of this group is to provide affordable housing within the local area.

#### **CREDIT PRODUCTS AND UNDERWRITING STANDARDS**

In response to customer demand, the bank introduced fixed-rate residential mortgage products in 1995. Currently, the bank offers a 15 year and a 30 year fixed-rate mortgage product with lower downpayment requirements. The bank is also one of the few institutions in this area that offer loans secured by mobile homes.

In addition, management considers compensating factors when borrowers do not meet the general underwriting standards of the bank.

#### **MARKETING**

Amesbury Co-operative Bank does a reasonable job of promoting its credit products throughout the assessment area. The bank does not utilize ethnic or foreign language publications to promote its credit and deposit services.

## CREDIT EDUCATION

The bank has not participated in, nor sponsored, any seminar designed to educate the public about credit related issues.

## COUNSELING

The bank does not provide delinquent borrowers with the names, addresses and phone numbers of any counseling agencies. However, one-on-one counseling is offered to customers by loan personnel on a case by case basis.

## SECOND REVIEW PRACTICES

The bank has developed a second review process in which denied credit applications are given a second look by the credit committee prior to formal notification of action taken.

## MINORITY APPLICATION FLOW

The bank did not received any residential mortgage loan requests in 1996 or year-to-date December 3, 1997, from any minority resident within the assessment area. However, of the 66 total applications approved for the period reviewed, two of the applications were from minority applicants residing outside of the assessment area, and one was from an applicant designated as "Other."

ASSESSMENT AREA POPULATION BY RACE*							
LOCATION	TOTAL	WHITE	BLACK	NTV AM	ASIAN	HISP	OTHER
Amesbury	15,073	14,797	120	33	31	49	43
Salisbury	6,744	6,695	0	15	0	5	29
<b>TOTAL</b>	<b>21,817</b>	<b>21,492</b>	<b>120</b>	<b>48</b>	<b>31</b>	<b>54</b>	<b>72</b>
<b>PRCNT</b>	<b>100.0</b>	<b>98.5</b>	<b>0.6</b>	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>

\* Source: 1990 Census Data

A review of the assessment area's population by race, according to 1990 census data, indicates that the area has a relatively small minority population of 1.5%. However, Amesbury Co-operative Bank's lending within the minority community is less than that of the 1996 aggregate. Aggregate HMDA Data for calendar year 1996, which was compiled by PCI Services, Incorporated, CRA WIZ ®, indicated that loans granted to individuals within the assessment area's minority population totaled 22 loans or 2.2% of the 980 residential loans originated.

As a small institution, resources devoted to Fair Lending criteria outlined in Administrative Bulletin 5-10 are limited. While certain areas detailed here are in need of further effort, overall Fair Lending performance is considered marginally satisfactory.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## **Amesbury Co-operative Bank**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **DECEMBER 3, 1997**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.